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Agricultural Situation

Mexico's Weekly Highlights and Hot Bites, Issue 14 2001

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Report Highlights:

Mexico Extends Duty Free Quotas for US Poultry *Mexico to Increase its Exports of Meat Products to Japan *Mexican Sugar Production Outlook *Mexican Government Will Eliminate 100,000 Jobs *Mexico Tracks The Slowdown of the US Economy *WALMART/Mexico's First Quarter Earnings Beat Expectations *Reminder on Comments on Proposed Regulations *Reports Submitted Recently by FAS/Mexico

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1], MX

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the US agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing US agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the US Embassy's, or any other US Government agency's point of view or official policy.

MEXICO EXTENDS DUTY FREE QUOTAS FOR US POULTRY

On April 9, 2001, the Mexican Secretariat of Economy (SE) together with the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) announced that they had extended duty-free quotas for U.S. mechanically deboned poultry meat (MDM) and turkey cuts. The certificates, or *cupos*, will be valid April 1 - June 30, 2001, for a total of 52,000 metric tons. The announcement recognizes that domestic poultry production as well as the original tariff-rate quotas for poultry under NAFTA for 2001 that were published in the "Diario Oficial" (Federal Register) on November 28 and 30, 2000, are insufficient to meet the needs of local meat processors. Therefore, the *cupos* may be increased again before the end of 2001 to cover domestic demand. The quota extension is equal to the amount allocated during the first half of 2000.

According to the Director of USA Poultry and Egg Export Council, Mexico, Jose Luis Cruz, SE began awarding the *cupos* to 55 eligible meat processors the week prior to the announcement. This announcement was published to "give transparency to the rule-making process" and to avoid legal actions from the local pork industry. (Source: Diario Oficial, 04/09/01)

MEXICO TO INCREASE ITS EXPORTS OF MEAT PRODUCTS TO JAPAN

A Mexican newspaper reports that Mexico exported over \$248.0 million of meat products in 2000, up from approximately \$190.0 million in 1999. Since 1994, Mexico's meat exports have increased around 28 percent per year on average. The article says that frozen pork exports account for approximately 70 percent of Mexico's meat exports based on information obtained from Bancomext. Japan is the most important market for Mexican pork products, importing approximately 95 percent of Mexico's total pork exports. Mexican exports of pork to Japan are expected to increase significantly over the next couple of years because Japan has suspended all imports of meat products from the European Union because of outbreaks of foot and mouth disease and BSE. Denmark alone accounted for 33 percent of the Japanese pork import market. Korea also has closed its import markets for meat from the European Union, creating additional opportunities for Mexican meat exports. The only obstacle for Mexico will be its limited capacity to produce pork for export. Currently, Japan only recognizes production plants in three Mexican states. (Source: Reforma, 4/16/2001)

MEXICAN SUGAR PRODUCTION OUTLOOK

Mexican sugar production for MY 2001/02 is forecast at 5.0 MMT, assuming good weather conditions. Domestic consumption is expected to increase to 4.53 MMT from MY 2000/01 consumption of 4.48 MMT, after several years of flat growth. Mexico's sugar industry states that sugar consumption has been growing slowly, despite improved consumer purchasing power. It attributes the slow growth to increased usage of alternative sweeteners, both imported and domestic, which have displaced sugar. Sugar exports for MY 2001/02 are forecast at 510,000 MT. Final exports, however, will depend on the amount of duty-free access Mexico will get for the U.S. sugar market under NAFTA. For additional information see report MX1050. (Source: FAS/Mexico)

MEXICAN GOVERNMENT WILL ELIMINATE 100,000 JOBS

The Mexican Government has stated that it will eliminate approximately 100,000 public administration positions starting the second half of this year. The biggest personnel cut backs will be in the administrative areas, state representations, Congressional liaison offices, and communication offices. The cuts are part of the new Fox administration's, "Program of Modernization and Government Innovation" and are an effort to keep public expenditures within the current budget. The Secretary of Labor and Social Security (STPS), Carlos Abascal Carranza, stated that all the agencies and federal departments will streamline their administrative structures in order to achieve better efficiency. He also mentioned the GOM's commitment to results-based management. The GOM is considering increasing wages and productivity incentives for the remaining civil service workers. The Secretary also said that it is feasible to maintain the same level of service with the streamlined staff by using improved technology. (Source: The Financiero, 04/25/01)

MEXICO TRACKS THE SLOWDOWN OF THE US ECONOMY

The International Monetary Fund Managing Director (IMF), Horst Köhler, recently stated that Mexico will be the country most affected by the current slowdown in the United States, but the slowdown will also impact Central America, the Caribbean, and, albeit to a lesser degree, Brazil. Nevertheless, he trusts that Latin America will be able to overcome these potential problems "without serious damage" due to its improved banking sector, the adoption of flexible exchange rates, and favorable macroeconomic factors. He mentioned other countries that currently are experiencing problems worse than Mexico, such as Argentina, Indonesia and Turkey, and stated that their problems pose some potentially serious problems for the world's other major economies. At the same time, some of Mexico's leading manufacturing associations have revised downward their expectations for economic growth, in-line with the Bank of Mexico's forecast. They expect that the gross domestic product (GDP) will increase 3.0 percent in 2001, lower than the 4.5 percent President Fox's administration is forecasting. Guillermo Ortiz, governor of Mexico's central bank, indicated that the slowdown in the economy is good in the long run because it will cool the domestic market. If consumption and investment had continued growing at its former pace, Mexico's economy may have found itself in a rather vulnerable position because of an unsustainable external imbalance. (Source: El Financiero, 04/25/01)

WALMART/MEXICO'S FIRST QUARTER EARNINGS BEATS EXPECTATIONS

Leading retailer Wal-Mart de Mexico (Walmex) posted first quarter earnings slightly above expectations, as strong sales continued to defy a slowdown in consumer spending. Walmex reported first quarter operating profits of \$838.6 million pesos compared to \$691.8 million pesos a year ago. First quarter revenues reached \$18.935 billion pesos, up 15 percent over same period last year. Walmex has used aggressive expansion and advertising to consistently outshine local competitors and surprise analysts. The company posted 8.9 percent same-store sales growth in March, compared with the same month in 2000. (Source: The News, 04/25/01)

REMINDER FOR PUBLIC COMMENTS ON PENDING PROPOSED REGULATIONS

There currently are no proposed regulations on which to comment.

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO

Report#	Title	Date Sent
MX1049	Mexico's Weekly Highlights and Hot Bites, Issue #13	04/06/2001
MX1051	Annual Oilseeds Report	04/09/2001
MX1052	Mexico Announces Emergency Measures to Prevent Hoof and Mouth Disease	04/11/2001
MX1054	The Mexican Market for Seafood Products	04/11/2001
MX1055	Mexico Creates National Forest Commission	04/20/001
MX1056	Extension of Duty-Free Quotas for US Poultry Products Under NAFTA	0420/001